

February 20, 2015

Dan Burgess, DOER Commissioner; Task Force Co-Chair  
Angie O'Connor, DPU Chair; Task Force Co-Chair  
Net Metering and Solar Task Force

Dear Commissioner Burgess, Commissioner O'Connor and Task Force Members,

We would like to offer the following feedback on the consultants' presentations given at the Net Metering Task Force meeting on February 12th meeting.

It is important to recognize that the task force effort has yet to establish clear goals for future solar policy. The short time frame for the task force effort has created urgency around getting to analytics, prior to establishing such goals. Thus the consultants' report generates suggested answers without really clarifying the questions they are intended to answer or how to prioritize the thousands of permutations and combinations of possible policies that could be analyzed.

This conversation is about much more than net metering or solar. The limited scope and time frame for the task force creates the risk that larger issues will be ignored and that the rush to a solution will actually set back good energy policy in Massachusetts.

We would like to suggest what we believe are appropriate goals that everyone on the task force can share, and offer specific policy solutions to achieve those goals.

**Sharing A Vision:**

We encourage you to read this recent article by former utility commissioner Karl Rabago at <http://nesea.org/conversation/masters-blog/rethinking-grid>. The vision of the energy future that he describes is similar to that proposed by Tom King, President of National Grid, who has suggested that utilities should become platform providers, like an iPhone, on which independently developed energy products and services get delivered. The Net Metering Task Force should help advance that vision.

Good energy policy can create massive opportunities for solar and other distributed generation, storage, demand response and other new services and businesses. It will also create a more secure business model for utilities. Enabling those solutions will further flatten our electric load curve, lower peak electricity prices and reduce the need for new transmission investment. All that, in turn, will lower electricity costs for all ratepayers and reduce adverse environmental impacts from the utility industry, while also creating substantial in-state investment and job growth.

Unconstrained opportunity for distributed energy resources, more dependable long term revenues for utilities, more reliable electrical service, better power quality, lower costs for all ratepayers, and more effective support for low-income households, can all result from sensible policy changes. If approached thoughtfully, this agenda could unite everyone on the task force with a shared vision for how to move forward on solar policy and utility policy generally.

That won't happen by rushing to analyze randomly assembled answers to address goals and priorities that have not yet been articulated or agreed upon. None of the scenarios presented by the task force consultants align with this vision.

## **Establish Clear Goals And Priorities:**

We recommend that the task force analyze and evaluate potential policy solutions based on their effectiveness in achieving the following goals:

1. Promote future oriented energy policy that supports the shared vision described above and that is rational, defensible and enduring for the long term.
2. Build trust by grandfathering commitments to existing projects with the regulations and policy under which they were developed.
3. Create policies that are fair and equitable for all citizens, ratepayers, generators and utilities.
4. Develop sustainable economics in the distributed energy sector. Assure solar and other distributed energy resources get paid fairly for all the benefits and services they provide.
5. Create a simple policy framework that encourages entrepreneurial innovation and enables statewide markets for distributed energy services.
6. Support long-term opportunities and consumer choices for those investing in solar and other distributed energy resources, to balance the benefits of utility price hedging and utility cost savings.
7. Incentivize utilities to efficiently and quickly connect independently owned distributed energy resources of all kind, while eliminating the utilities' current economic incentives to oppose the expansion of independently owned distributed generation.
8. Establish a process for developing appropriate utility rate structures that share the costs of the distribution system fairly among all users, no matter which way power is flowing.

## **Time Frame**

To reach the goals spelled out above, it is important to recognize the urgency of some of the issues of concern, which can be best addressed with easy and obvious solutions. Others are long-term issues that will likely need far more time than is currently available to this task force. The long-term solutions can be much more easily reached if the task force focuses on vision and goals first.

**Our Recommendation For The Near-Term:** Don't disrupt the market.

1. Permanently eliminate net metering caps for any project up to 1 MW ac that is connected at the distribution level. The utilities acknowledged in last year's solar policy discussions that there is no technical justification for capping net metering and supported legislation that eliminated net-metering caps entirely.
2. Leave all other existing solar policy in place until we reach the current 1600 MW goal, in order to not disrupt SREC markets and the near term solar business environment.
3. Consider putting a real floor on SREC pricing

<b>Near-term: Stay the course</b>	<ul style="list-style-type: none"> <li>• Current Mass. SREC-II Program and Net Metering Regulations</li> </ul>
<b>All Solar</b>	<ul style="list-style-type: none"> <li>• Current SREC-II Model</li> </ul>
<b>Distribution</b>	<ul style="list-style-type: none"> <li>• Increase SREC factor for locations that enhance grid reliability</li> </ul>
<b>Net Metering and Virtual Net Metering</b>	<ul style="list-style-type: none"> <li>• Uncapped up to 1 MW ac</li> </ul>
<b>Timing of Transitions</b>	<ul style="list-style-type: none"> <li>• Remove caps immediately on all projects up to 1 MW ac</li> </ul>
<b>Targets, Constraints, Timeline</b>	<ul style="list-style-type: none"> <li>• 1600 MW</li> </ul>
<b>Other Potential Options</b>	<ul style="list-style-type: none"> <li>• Consider firm SREC price floor</li> </ul>

**Our Recommendation For The Long term:** Establish a rational permanent payment framework for more fairly and efficiently compensating solar generators for value provided: The Fair Solar Policy Framework

1. Treat off-site and on-site solar equally to ensure equitable access to the benefits of clean energy for all citizens and organizations. This is a matter of simple fairness since 80% of people in Massachusetts can't utilize solar on-site due to structural, roofing, orientation, shading, financial, ownership or other constraints. It is also fair to ratepayers. Behind-the-meter projects use the grid as much as off-site projects. They are always either importing or exporting energy except for brief instances. All the utility and ratepayer benefits from solar are the same whether the energy is consumed on-site or at neighboring facilities on the same feeder.
2. Provide credits from utilities to solar generators for retail energy and transmission values based on kWh only rate structure: Energy and Transmission Credits. Generation directly connected at the distribution system level directly offsets the costs of utility standard offer energy purchases, as well as transmission charges which utilities pass through to rate payers.
3. Provide a separate Distribution Value Credit based on a analysis of the value of services provided directly to ratepayers and the distribution system including local reliability, avoided need for transmission, reductions in distribution line losses and congestion, fuel price risk mitigation, reduced grid vulnerability to failures or disruption, VAR support, voltage and frequency stabilization, wholesale market price suppression, etc.
4. Replace SRECs with a tariff based mechanism, with value established through a quantitative analysis of the environmental, risk reduction, energy security and other real societal value that solar provides: Solar Distributed Generation Credits.
5. Energy & Transmission Credits, Distribution Value Credits and Solar Generation Credits from the local utility at the generators site can be used to pay any utility bill in the state, regardless of location or distribution utility. Since costs for transmission and energy are costs that utilities incur and pass through in purchasing standard offer services, Energy and Transmission Credits denominated in dollars are equivalent to cash for the utilities. Distribution Value Credits would be payments for real value provided and presumably paid for by the ratepayers after necessary proceedings, so these credits are also equivalent to cash for the utilities. Making these credits usable statewide enables market innovation and market rationality.

6. Establish a settlement process for the accounting of such credits between utilities.
7. Initiate a new rate recovery proceeding at the DPU to address fair payment for use of the grid, regardless of which way power flows.

<b>Long-term: Innovate to increase impact and reduce costs</b>	<ul style="list-style-type: none"> <li>• Hybrid System</li> </ul>
<b>All Existing Solar</b>	<ul style="list-style-type: none"> <li>• Grandfather treatment under which projects were developed</li> </ul>
<b>All New Solar</b>	<ul style="list-style-type: none"> <li>• SRECs replaced by Solar Generation Credits on a kWh rate basis determined analyzing the energy security, resiliency, environmental and other societal value solar provides that is not recognized in the current energy market structure</li> </ul>
<b>Distribution</b>	<ul style="list-style-type: none"> <li>• Increase Solar Distributed Generation Credits for locations that enhance grid reliability</li> <li>• Cap distribution connected solar benefits at 1 MW ac</li> <li>• DPU rate proceeding to establish fair payment for use of grid</li> </ul>
<b>Replacement For Net Metering and Virtual Net Metering</b>	<ul style="list-style-type: none"> <li>• All systems up to 1 MW ac get full retail Energy and Transmission credits at kWh only based rates</li> <li>• All systems up to 1 MW ac get Distribution Value Credits</li> <li>• Credits assignable to any other utility accounts in the state.</li> <li>• Projects over 1 MW ac get wholesale avoided cost rate</li> </ul>
<b>Timing of Transitions</b>	<ul style="list-style-type: none"> <li>• Time other transitions for after 1600 MW target is hit</li> </ul>
<b>Targets, Constraints, Timeline</b>	<ul style="list-style-type: none"> <li>• Permanent fair value payment framework for solar after 1600 MW target is reached</li> </ul>

### Consultants Analysis: Evaluating Policy Options

We have been told that the consultants will assess the "cost and benefits" of two or three policy options. We have also been told that the consultants don't have the time or budget to quantitatively evaluate the benefits of solar. Thus we are concerned that leaves Massachusetts with a one sided process that is inherently biased, without meaningful consideration or evaluation of the range of significant economic benefits and cost savings that solar delivers to ratepayers and the commonwealth generally.

It is critical to separate the fair payment for solar from any subsidies or incentives that may be paid. We fundamentally disagree with the concept that the payments solar projects receive should decline over time. Solar projects should be paid fairly for the value they provide. As conventional energy costs increase, the value of solar and benefits solar provides to ratepayers also increases.

Without an appropriate quantitative analysis of benefits as well as the costs, it is impossible to determine fair value. Policy makers should avoid the mistake of diminishing all the potential benefits that solar provides to the commonwealth by looking only at costs.

## **Paying For Use Of The Grid**

The utilities clearly need to be compensated fairly to keep the grid working reliably. For re-developing a bidirectional grid supportive of the shared vision outlined above, we need a utility rate recovery model that reflects the emerging realities of a decentralized grid. We need to re-imagine the utility rate structure in a way that supports utility companies while also encouraging entrepreneurs to participate in our electricity market in new ways. That huge undertaking is not appropriate for the scope of this task force, but deserving the participation of all the task force members in a DPU rate restructuring proceeding.

## **In Closing**

We don't believe policy analysis will be useful unless measured against clearly established goals. We don't believe it is possible to provide meaningful analysis without a thorough quantitative evaluation of the benefits of solar as well as the costs.

We respectfully request your consideration and evaluation of our long-term policy proposal, once the task force has established clear goals for policy options to be evaluated on and once the value of solar study has been completed upon which appropriate analysis can be based.

In the meantime, we believe the task force should advance the near-term proposal described above and establish both the necessary time and the necessary funding for the task force and its consultants to do a more thorough and appropriate evaluation of long-term policy options.

Thank you for considering this feedback,

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